

# Summary of Market Segmentation

- ◆ When a firm uses market segmentation, it is dividing a large group of potential customers into small groups of customers with specific needs and wants.
- ◆ A firm's resources can be used more efficiently by segmenting a market. The marketing mix is more specifically developed to suit the particular group of customers.
- ◆ Segmentation can be a useful strategy when there are a number of competitors in the market place.
- ◆ When market segmentation is employed, a firm looks for the differences between customer groups and chooses just one or a few groups. The marketing mix is tailored to the needs of each group.
- ◆ Once a market segment is selected, the marketer looks for the similarities in benefits that customers in the group are seeking.
- ◆ A customer market can be divided using one or more of four bases. These methods of dividing a consumer market include: geographic boundaries, demographic boundaries, psychographic boundaries or behavioural factors.
- ◆ An organisational market can be divided using one or more of four bases. The methods of dividing an organisational market include: geographical boundaries, account size, buying behaviour and product usage.

# Segmenting Customer Markets

## **A. Geographic**

Many retail chains use geography as a means of selecting shop sites. This may be the main reason for stores that sell goods with general appeal. The terrain of a country may affect how the market is segmented – rivers, lakes, deserts etc. Actually distributing goods would be a nightmare!

## **B. Demographic**

A clothing shop in a suburb that has a high number of young children will stock family clothes. Particulars such as sex, marital status, religion, race, nationality, family size, ages of family members and their family life cycle are all gathered through a study of the markets demographics. Demographic details can assist the marketer to have a clear understanding of the make-up of market segments.

## **C. Psychographic**

This relates to a person's lifestyle, personality and social class. Lifestyle refers to a person's activities, interests and opinions. People may have very similar demographics but completely different lifestyles. For example two couples with two kids – one receiving a benefit, the other \$100,000 a year!

## **D. Behavioural**

The marketer looks at the buyer's behaviour towards the product or service. Awareness or opinion of the product and how a person reacts to it, will provide clues for segmenting on the basis of behaviour.